

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

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C O N F I D E N T I A L LONDON 00494

E.O. 11652: GDS

TAGS: ENRG, ETRD, UK

SUBJECT: HMG NORTH SEA PROCUREMENT POLICIES

REF: (A) LONDON 16799, (B) LONDON 16608

1. AS REPORTED REFTEL (A), SECSTATE FOR ENERGY VARLEY INFORMED REPRESENTATIVES OF UK OFFSHORE OPERATORS ASSOCIATION (UKOOA) ON DECEMBER 20 THAT HE IS CONSIDERING POSSIBILITY OF AN AMENDMENT TO NON-FISCAL MEASURES BILL, NOW SCHEDULED TO BE LAID BEFORE PARLIAMENT IN FEBRUARY OR MARCH, WHICH WOULD REQUIRE INCLUSION IN EXISTING LICENSES OF AN OIL COMPANY COMMITMENT TO PROVIDE UK SUPPLIER FIRMS WITH "FULL AND FAIR" OPPORTUNITY TO COMPETE FOR OFFSHORE BUSINESS.

2. IN SECOND FOLLOW-UP DISCUSSION WITH LIVERMAN (DEPUTY SECRETARY, ENERGY), HE TOLD US VARLEY WAS NOT KEEN ON PRESSING FOR A LEGISLATIVE AMENDMENT BUT FORESAW INDUSTRIAL AND POLITICAL PRESSURES WHICH HE HAD TO COUNTERACT. IN THIS REGARD HE NOTED NORWEGIANS ALREADY HAD A SIMILAR LICENSE REQUIREMENT. LIVERMAN REITERATED VARLEY HAD NO INTENTION WHATSOEVER OF CHANGING OFFSHORE PROCUREMENT POLICY TO OBLIGE OIL COMPANIES TO BUY BRITISH. IN

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MENT POLICY TO OBLIGE OIL COMPANIES TO BUY BRITISH. IN

FACT, HE HAD ASKED FOR COMPANY COMMENTS AND SUGGESTIONS ON HANDLING PROBLEM.

3. LIVERMAN CLAIMED GOVERNMENT FACED REAL PROBLEM IN PARLIAMENT GIVEN LEFT WING LABOR AND SCOTTISH NATIONALIST SENTIMENT AS WELL AS UNCERTAIN POSITION OF MANY CONSERVATIVES. HE VOLUNTEERED PERSONAL OPINION, HOWEVER, THAT IF COMPANIES CAN PROVIDE HMG WITH SOMETHING MORE IN WAY OF "BINDING ASSURANCES" REGARDING THEIR COMMITMENT TO "FULL AND FAIR OPPORTUNITY", THERE MAY BE NO NEED FOR A LEGISLATIVE AMENDMENT. HE THOUGHT HMG MIGHT THEN BE ABLE TO ARGUE IN HOUSE OF COMMONS THAT, ALTHOUGH COMPANIES ARE NOT SUBJECT TO A LEGISLATIVE PROVISION, HMG HAS RECEIVED ADDITIONAL ASSURANCES (BEYOND MERE ACQUIESCENCE ON PART OF OIL COMPANIES) WHICH IT CONSIDERS SATISFACTORY. LIVERMAN BELIEVED IT WAS NOW FOR OIL COMPANIES TO COME UP WITH A FORMULA. HE CONCLUDED THAT IN ANY EVENT THERE WAS NO QUESTION OF AN OBLIGATION TO BUY BRITISH, THAT NO PREFERENCE FOR UK FIRMS WAS BEING SOUGHT AND NEVER WOULD BE.

4. EMBOFFS AGAIN REMINDED LIVERMAN OF LONGSTANDING USG INTEREST IN OFFSHORE PROCUREMENT PROBLEM AND MANNER IN WHICH "FULL AND FAIR" OPPORTUNITY CONCEPT IS IMPLEMENTED. HE AGREED TO KEEP US INFORMED ON PROGRESS MADE ON CURRENT ISSUE.

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